

Shasta Local Agency Formation Commission



Final Municipal Services Review & Sphere of Influence Update County Service Area #17 – Cottonwood

December 18, 2014

**County Service Area #17 - Cottonwood
Municipal Service Review & Sphere of Influence Update**

1. Executive Summary.....	
2. General Background	
3. District Services.....	
a. Infrastructure, Facilities, Services.....	
b. Administration, Management, Operations.....	
c. Fiscal.....	
d. Governance.....	
4. Regional context/Relevant services by other agencies	
5. Agency Boundary & Proposed Sphere of Influence Service Area	
6. Written Determinations for Municipal Service Review	
a. Growth & population projections.....	
b. Disadvantaged unincorporated communities (DUCs)	
c. Present and planned capacity of public facilities	
d. Adequacy of public services.....	
e. Infrastructure Needs or Deficiencies	
f. Financing Constraints and Opportunities	
g. Opportunities for Rate Restructuring	
h. Status of and Opportunities for Shared Facilities.....	
i. Accountability for community service needs, governmental structure and operational efficiencies	
7. Written Determinations for Sphere of Influence Update	
a. Present/planned land uses	
b. Present and probable need for public facilities and services.....	
c. Present capacity of public facilities/adequacy of services	
d. Existence of social or economic communities of interest	
e. Present and probable needs of disadvantaged unincorporated communities within area.....	
8. Conclusion.....	
9. References	
10. Exhibits.....	

- A. CSA #17 - Map of Proposed SOI Boundary: Cottonwood
- B. CSA #17 - Formation Resolution
- C. CSA #17 – Fiscal Documents
- D. CSA #17 – Rates & Fees Resolution
- E. CSA #17 - Shasta County Community Advisory Board Ordinance
- F. CSA #17 – 2013 Sewer Master Plan – Partial*
- G. CSA #17 - Notice of Intent to Adopt CEQA Determination – SE PRC 21083
- H. CSA #17 - No Effect Determination – California Department of Fish & Wildlife

*Full study posted at LAFCO website and available from Shasta County Public Works website under Special Districts

1. EXECUTIVE SUMMARY

Local agency formation commissions have been tasked with updating local agency municipal service reviews (MSR) and sphere of influence boundaries (SOI) every five years since 2008 [Government Code Section 56425 *et seq.*]. This study presents a baseline review of the CSA #17 – Cottonwood’ services and SOI needs, satisfying the requirements of this statute.

A fair amount of LAFCO’s original in-house information regarding formation of this District was unavailable. As a result, this baseline review seeks to associate the original formation purposes and activities of the District with an understanding of its current day operations and future plans.

2. GENERAL BACKGROUND

The service area for CSA #17 - Cottonwood is located in southern Shasta County, just 16 miles southwest of City of Redding, and about 5 miles northwest of Anderson. Interstate 5 serves as a main accessed route.

As far back as the mid-1960s this community began experiencing problems with waste water disposal. This resulted from generally shallow soils with slow permeability which placed severe limitations on conventional septic tank/leach field systems common at the time. Coupled with normally high groundwater levels during much of the year, and the small lot sizes created near the center of Cottonwood, the situation became of major concern to public health and water quality agencies.

The Cottonwood Water District, formed in 1955, has provided community water services to the Cottonwood community, including the area now served by CSA #17. From 1966 to 1971, the Cottonwood Water District stepped forward to act as a sponsoring agency for a proposed sewage collection and treatment system for the community. Unfortunately, the voters rejected a bond election which would have funded construction of those facilities.

In 1976, the Shasta County Health Department notified the RWQCB as follows:

The Cottonwood area needs a public sewage disposal system badly and would strongly concur with any prohibition of waste discharge your Board might establish.

Also in 1976, the both the Cottonwood Chamber of Commerce and the Shasta County Board of Supervisors concurred with the need to recognize a major health hazard for the area, with the Board adopting a resolution in support of efforts to establish public sewers and prohibit discharging of waste after January 1, 1981, from any existing systems.

The Regional Water Quality Control Board (RWQCB) followed these actions in 1976 with an order *“prohibiting any additional waste discharge from leaching and percolating systems within the community of Cottonwood, and prohibiting the discharge of waste from these systems after January 1, 1981.”*

In 1977, the Anderson-Cottonwood Irrigation District, as an independent district providing services in the area, assumed the role of “lead agency” for the community for the purposes of preparing a Facility Plan for sewer services in the affected area. It was completed in late 1979.

In 1981 both the Anderson-Cottonwood Irrigation District and the Cottonwood Water District sponsored studies and reviews of a proposed sewer project. The Board of Supervisors subsequently adopted a resolution consenting to the formation of an assessment district within the Cottonwood Water District. In December of 1981 the Board of Supervisors received requests from sewer project proponents urging Shasta County to assume the lead agency role for the project and the matter was referred to its Community Development Committee.

On July 23, 1983 the RWQCB adopted a Cease and Desist Order against the Cottonwood Water District and the property owners in the identified prohibition area. In September of that year, the Shasta County Board of Supervisors authorized its staff to initiate steps to form a sponsoring agency and commence public meetings to explain the project and obtain community comments.

In December of 1982, Shasta LAFCO approved the formation of County Service Area #17 – Cottonwood (CSA #17) to address the need for sewer services in the Cottonwood area, and correct the deficiencies cited in the RWQCB’s Cease and Desist Order.

The new CSA #17 boundaries generally conformed to the waste discharge prohibition area boundary defined by the RWQCB. CSA #17 was to be the public entity which would secure financing, construct, operate and maintain a community wastewater collection, treatment and disposal system. The original project included a gravity sewer collection system, main interceptor facilities, waste treatment facilities, and an outfall pipeline to Cottonwood Creek.

A 1996 Capacity Study issued by the County Department of Public Works described how the project was financed:

The system was funded with grants and low-interest loans. One of the conditions of the financing was that the grant monies could not be used to oversize the system. The collection system was sized to convey and treat sewage from within the initial district boundaries, with some allowance for development of vacant land within the district. The original district boundaries generally conformed to the waste discharge prohibition area boundary defined by the State Regional Water Quality Control Board. The local share of

these improvements were financed by selling 1,314 Series “A” Allocations valued at \$662 apiece.

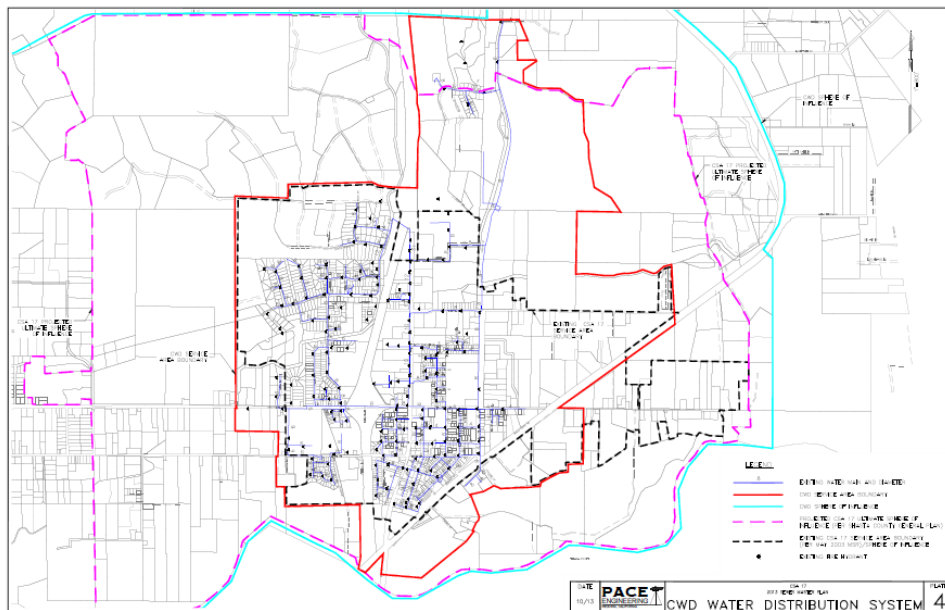
During the preliminary design process, the consultant pointed out that the plant could be oversized relatively inexpensively. In response, the plant was upsized...and t[he] additional capacity was financed locally by selling 4410 Series “B” valued at \$1,610 apiece.

The Series “A” and “B” Allocations have been commonly referred to as Household Equivalents (HEs) since 1986. Approximately 150 additional HEs have since been sold, at the Series “B” value. ...It has since come to be understood that these HEs, whether Series “A” or “B” Allocations or bought since, represent the inalienable right to discharge one Household Equivalent to the system now, or at any time in the future. This interpretation has been strengthened by the implementation of a standby fee for unused HEs.

As originally constructed, the Cottonwood sewer system was designed to serve a population of approximately 3,150, a figure expected to be achieved by 2005. Facilities would initially serve all parcels within the CSA #17 assessment district boundary, about 700 of the original 715 parcels.

In 1984, Shasta LAFCO adopted a sphere of influence designation for CSA #17. This included five areas outside CSA #17’s boundary totaling 1,214 additional acres. The 2013 Sewer Master Plan (SMP) the current service area is approximately 1,665 acres (2.6 square miles).

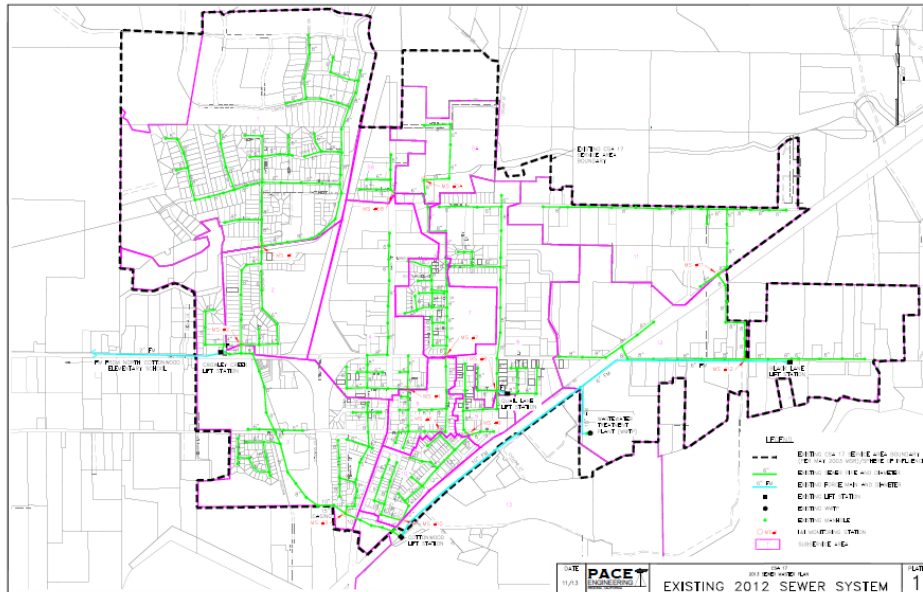
The CSA #17 – Cottonwood sphere of influence was again updated in 2003. The following map demonstrates the District’s current sewer system and SOI boundary:



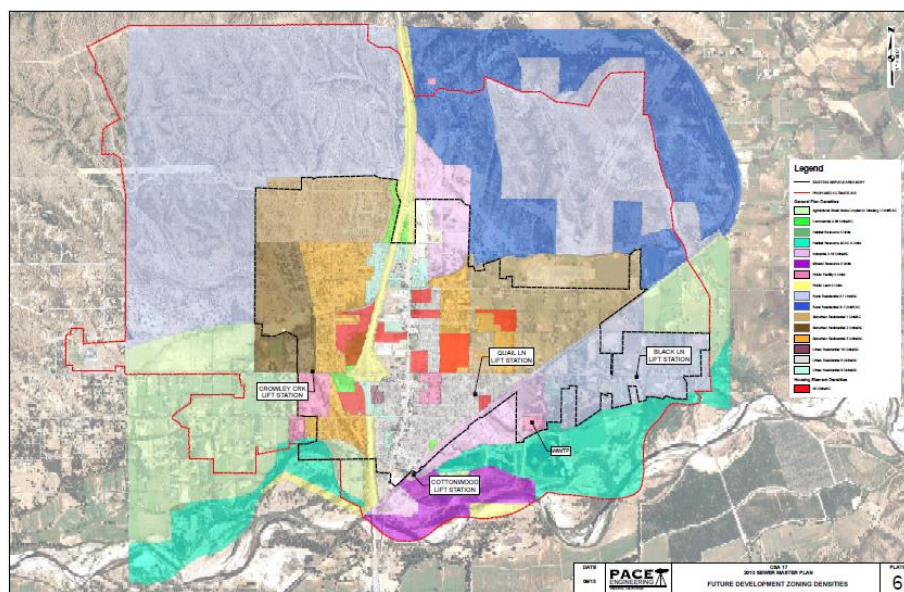
County Service Area #17 - Cottonwood Municipal Service Review & Sphere of Influence Update

County Service Areas may annex lands or areas that are not coterminous to its boundaries, and thus with CSA #17 we find these District boundaries encompass two separate and distinct areas. Six annexations have been approved between 1988 and 2006, bringing additional acreage into CSA #17 since its formation.

The Cottonwood Water District provides services in these areas of CSA #17:



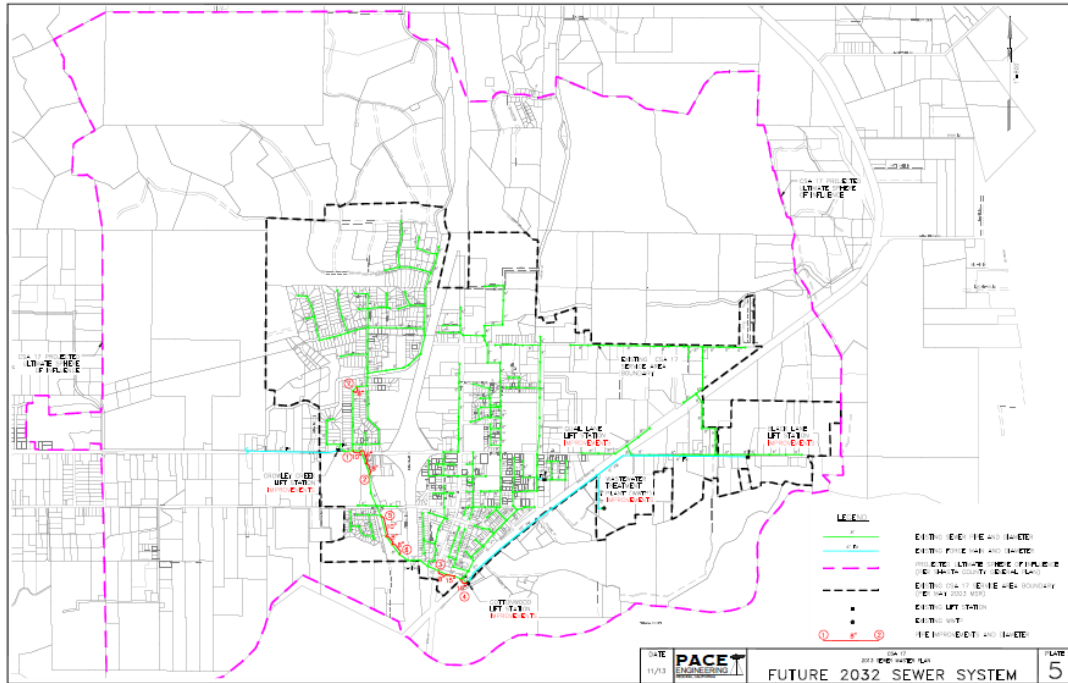
Based on the Shasta County General Plan designations for development in the 2013 Sewer Master Plan, the District has determined that its ultimate sphere of influence boundary should include areas outside the district boundaries and the presently LAFCO-proposed sphere of influence boundary (coterminous with District boundaries) has been changed to reflect this.



County Service Area #17 - Cottonwood Municipal Service Review & Sphere of Influence Update

If all designated land use areas indicated on this map are served, it would increase CSA #17's service area to 5,595 acres (8.7 square miles), adding 3,930 acres to the District.

The 2013 Sewer Master Plan anticipates, and the District Board supports, supports a sphere of influence area for CSA #17 - Cottonwood that corresponds with this level of development:



The 2013 SMP, adopted by the Board and incorporated in this study as Exhibit F, provides substantial evidence that the District has examined and determined it has the ability to plan for and accommodate this level of growth. LAFCO staff concurs with this determination.

This proposed SOI boundary is consistent with the Shasta County General Plan and Zoning Ordinance. CSA #17 has sized its boundary to meet customer demand. Each parcel in the district is assigned a certain number of Household Equivalents (HE = sewer capacity), and pay a standby charge for the HEs they do not use.

Between the District boundary and the SOI boundary no HEs are assigned, although the plant was sited to allow for expansion to accommodate the whole area shown within the SOI. As always, some customers simply are not interested in being on a County-governed community sewer system, therefore they were not included within the District boundaries at formation, Cottonwood Lake Estates being one example.

Should the CSA #17 Board of Directors wish, in the future, to activate additional services authorized by California Government Code Section 25210.1 *et seq.*, CSA #17 will need to submit

an application to LAFCO requesting approval for expanding selected services prior to initiating them.

3. AGENCY SERVICES

a. Infrastructure, Facilities and Services

Under the administration of the County Public Works Department, administration of the systems within CSA #17 - Cottonwood began after District formation in 1983 when the final documents were filed with the County Clerk and the State Board of Equalization. The District currently serves a population of 2,878 within its 1,580 acre area.

In 2012 the District commissioned PACE Engineering to perform a Sewer Master Plan (SMP) to review the long-term needs for its services and facilities. The SMP reviewed population growth, condition of existing infrastructure, and the need for new infrastructure for the next 20 years, and presented a schedule for implementing recommended improvements.

Short-term service needs are driven by usage of the existing sanitary sewer customer, in addition to possible new service when a new customer signs up for sanitary sewer --- although requests for new service do not happen very often at this time. Current deficiencies and recommended actions are discussed in detail the 2013 SMP (Exhibit F) starting on page 5.

The current plan for infrastructure replacements or upgrades is to finance new and upgraded infrastructure by restructuring how CSA #17 is currently funded. One option considered was to change from the current bi-monthly direct billing for service to establishing an annual service charge for each parcel to be payable concurrent with the annual property tax bill. This would significantly reduce billing expenses and the number of delinquencies currently experienced.

The closest agency providing a similar sanitary sewer system that could possibly provide this service would be the City of Anderson, about 2.3 miles to the north. Given the distance, terrain (a need for installation of a forced main), and the need for the City to be able to handle the increased demand on their system, it is unlikely that additional efficiencies would be achieved by transferring CSA #17 services to the City of Anderson.

All critical systems are redundant, so backup is automatically available for District systems and facilities. If the emergency is not controllable via redundancy, the effluent can be discharged to the storage ponds until the system can be put back on line.

b. Administration, Management and Operations

When preparing or updating a municipal service review, information about administrative, management and operational functions, including assuring internal organization and agency policies, rules, and regulations are evaluated with respect to efficiencies and/or cost avoidance opportunities.

The CSA #17 - Cottonwood is governed by the Shasta County Board of Supervisors acting as the Board of Directors, operating as the administrative and financial manager of the District. The day-to-day management of the District is the responsibility of the Public Works Department, who may use maintenance contractors as needed.

The District currently has no distinct employees, but is supported by Public Works staff, consisting of: an operations supervisor, and five part-time non-licensed employees which are shared with multiple county service areas. All County employees operate according to Shasta County policies and employment guidelines.

c. Fiscal

This is an enterprise fund district. Most operating revenue is derived from bi-monthly service charges for water service. An annual parcel charge was established at the time of District formation. The current infrastructure project is funded by a California State Water Resources Control Board Proposition 50 grant, and CSA #17 is responsible to cover cost over runs. Available resources are maintained within the County's general operating budget.

Most agency revenue streams are subject to Proposition 218, which sets forth various constraints on the generation of revenues for infrastructure services. Bond financing is not subject to Proposition 218 per se, but is subject to a parallel administrative process.

Customers are charged according to existing rate structures. No rebates have been issued during the past three years. Delinquent amounts are placed on the tax bill associated with the property at the end of the year. Occasionally, after diligent effort, delinquent accounts may be deemed uncollectable. This requires an action by the Board of Supervisors.

A flat fee was established at the time CSA #17 was formed (1983). The last rate increase was approved in December 2007. Proposition 218 requires CSA #17 to adopt a rate structure which is reflective of the actual cost of service. The current rate structure meets this standard. Consideration is being given to the benefits of restructuring how CSA #17 is funded.

The Budget to Actual reports actual cash in the treasury of \$115,733, total fiscal year budgeted revenue of \$655,289, and total budgeted expenses for the fiscal year of \$922,391. The District manages a very conservative budget, providing due diligence on all fiscal matters and records. The District's budget details are included as Exhibit C, at the end of this narrative.

d. Governance

The Shasta County Board of Supervisors operates as the governing body for CSA #17 - Cottonwood, and they do not receive compensation for sitting as the board of director of this District. District board meetings follow the rules and protocol for the Shasta County Board, including noticing and accessibility. Public participation is encouraged. Meetings are held as needed. Board meetings are held as may be needed.

Matters pertaining to District operations that require action by the Board are placed on an agenda for a regular meeting of the Board. Meetings are subject to the Ralph M. Brown Act and all State laws pertaining to notification of public meetings on District matters. Meeting notices are given to all customers that include the date, time, place and purpose of the meeting. The CSA #17 - Cottonwood is a registered-voter district.

4. REGIONAL CONTEXT/RELEVANT SERVICES BY OTHER AGENCIES

Land use and building regulation services are provided by the County of Shasta, as are law enforcement, road services and other general services provided to the unincorporated areas of the county by various county departments. The Cottonwood Fire Protection District provides fire and emergency services to the CSA #17 – Cottonwood territory.

5. AGENCY BOUNDARY AND PROPOSED SPHERE OF INFLUENCE UPDATE MAPS

The District's service area is physically situated in the North Sacramento Valley floor where areas requesting extension of water service are practical and compatible with the District's ability to serve.

The proposed sphere of influence boundary coincides with the District's requested service area as studied in the 2013 Sewer Management Plan. Any request for the subsequent expansion of the approved SOI boundary would require a concurrent examination by the District as to whether it could be deemed economically feasible. Any subsequent LAFCO application would be the responsibility of the requestor. Exhibit A demonstrates the proposed SOI boundary for CSA #17.

It is proposed the Commission approve the SOI boundary consistent with the growth boundary designated in its 2013 Sewer Master Plan, as shown on the enclosed map of proposed Exhibit A - SOI Boundary Update at the end of this report.

6. WRITTEN DETERMINATIONS FOR THE MUNICIPAL SERVICE REVIEW

a. Growth & Population Projections

Development and growth within the District will be primarily guided by the number of available parcels currently within the District. District operations and program growth will be included and evaluated during development permit processes for these areas so as to effectively meet expected service needs.

The general area is currently experiencing a 33% population change, indicating more people are settling down than leaving. Unemployment rates are at 9.5%. Job growth rests at 1.04%, with most working people employed outside the area.

b. Disadvantaged Unincorporated Communities (DUCs)

The area serviced by the District has more than 12 registered voters and therefore - qualifies as a "Disadvantaged Unincorporated Community." California State Parks (www.parks.ca.gov) provides a Community Locator tool which helps with identifying the general income within one-half mile of the town center. It usually sufficient to provide a guideline for this classification (see attached sheets). The population counts shown on these reports only encompass a one mile diameter and do not reflect the actual population assigned to those communities.

The median per capita income for the state is \$46,477, and a local community would qualify for designation as a DUC if their median income falls below 80% of this figure. The median per capita income calculation for the Cottonwood area is estimated to be near \$18,452. Median household income is estimated at \$48,644. Current population is estimated at 2,878.

c. Present and Planned of Public Facilities

District staff monitors capital improvement needs to maintain and upgrade service systems. Future development will pay its pro rata share of costs for services.

d. Adequacy of Public Services

District facilities are adequate for current service needs. It also has sufficient access to needed resources and capacity to serve the areas within the proposed sphere of

influence boundaries. Any cost of extension of services will be tied to development permits for future growth.

e. Infrastructure Needs or Deficiencies

The District monitors and evaluates water service infrastructure for capacity, condition, availability, and quality water services. Correlation of operational, capital improvement, and finance plans are appropriate for the size of the District and its service area at this time. The 2013 Sewer Management Plan has identified current deficiencies, recommended actions, and provides the District with a schedule for accomplishing those tasks.

f. Financing Constraints and Opportunities

As an “enterprise” district, CSA #17 – Cottonwood derives its service funding primarily from fees and charges levied for services provided. As such, the District must maintain a reasonable nexus between fees and charges levied and the cost of the service provided. The District maintains a positive balance in the treasury and seeks to be as efficient and innovative as possible in maximizing use of existing fiscal resources.

g. Opportunities for Rate Restructuring

As noted above, there are inherent statutory limitations on the District’s ability to restructure rates. With that in mind, the District should regularly review fees and charges levied so as to maintain a reasonable nexus between rates and actual costs.

District will also want to employ effective rate setting procedures, identify conditions that could impact future rates, and give due consideration to timely restructuring opportunities without impairing the quality of services.

h. Status of and Opportunities for Shared Facilities

There are presently inherent limitations – geographically, jurisdictionally, and operationally – on District water service facilities being extended to and/or shared with areas outside its proposed SOI boundary without prior annexation of the area into the District.

i. Accountability for Community Service Needs, Governmental Structure, and Operational Efficiencies.

The District Board of Directors meets as needed, notices meetings, and offers the public an opportunity to participate in their meetings, which are mainly focused on provision of water and maintenance of facilities.

District continues to strive towards an effective internal organization to provide efficient, quality services.

7. WRITTEN DETERMINATIONS FOR THE SPHERE OF INFLUENCE UPDATE

a. Present and Planned Land Uses

Shasta County designates much of the area served as rural residential and agricultural. This is a rural area, with community development either clustered around the District or scattered about on secondary roads.

The District is physically situated in a rural region where separation from other communities limits the area where extension of sanitary sewer service is practical.

b. Present and Probable Need for Public Facilities; Adequacy of Services

Future development projects will be conditioned to require payment for the extension of any services, including all necessary and related costs associated with annexing into the District. Prior annexation is a condition for receiving services from CSA #17.

c. Present Capacity of Public Facilities and Adequacy of Services

District facilities are adequate for current service needs. It has the capacity to serve the areas outside the District as they are brought both within the sphere of influence boundaries during the annexation process. Extension of services will be tied to development permits of parcels. Service is available and adequate to serve the undeveloped areas within the existing District boundaries.

d. Existence of Social or Economic Communities of Interest

The District is located west of the City of Anderson, and is currently served by the Cottonwood Fire Protection District. The City of Redding to the north provide a major shopping and service industry hub for local residents throughout Shasta County.

e. Present and Probable Needs of Disadvantaged Unincorporated Communities (DUCS) Within the Area.

As identified in the MSR section, the District service area may qualify as a disadvantaged unincorporated community. Shasta County is undertaking a study of these DUCs as part of their General Plan update and additional information should be

available for an expanded analysis of this designation during the next MSR/SOI Update which will be due in 2019.

8. CONCLUSION

In this review, Shasta LAFCO has endeavored to accurately assess the current services and organizational status of the District as a provider of water services based upon information available at this time.

This is the first SOI/MSR review of CSA #17 – Cottonwood since 1984, and it is expected that additional data will be brought forward, especially as future development occurs. LAFCO has made what we believe are substantiated determinations based upon prescribed statutory factors. A comprehensive SOI/MSR update should be planned for the next cycle of review, in or before 2019.

It is recommended that the municipal service review and sphere of influence update for the CSA #17 – Cottonwood be adopted as proposed on the enclosed SOI update map, Exhibit A.

9. REFERENCES

- a. District (interviews, records)
- b. County of Shasta Departments
- c. Shasta LAFCO files for this district.
- d. Internet research on various sites.

10. EXHIBITS

- A. CSA #17 - Map of Proposed SOI Boundary: Cottonwood
- B. CSA #17 - Formation Resolution
- C. CSA #17 – Fiscal Documents
- D. CSA #17 – Rates & Fees Resolution
- E. CSA #17 - Shasta County Community Advisory Board Ordinance
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